

T G PAPPAS
TEL (615) 742-6242
FAX (615) 742-2742
tgpappas@bassberry.com

BASS, BERRY & SIMS PLC

A PROFESSIONAL LIMITED LIABILITY COMPANY
ATTORNEYS AT LAW

AMSOUTH CENTER
315 DEADERICK STREET, SUITE 2700
NASHVILLE, TN 37238-3007
(615) 742-6200

www.bassberry.com

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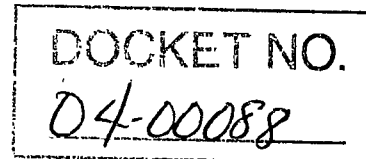
3 TN REGULATORY AUTHORITY
DOCKET ROOM

March 15, 2004.

VIA HAND-DELIVERY TO:

Debra Taylor Tate, Chairman
TENNESSEE REGULATORY AUTHORITY
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

Attention Carol Timberlake



**Re: Extension of Water Purchase Agreement Between
Tennessee American Water Company and
Town of Signal Mountain**

Dear Chairman Tate:

Enclosed please find an original and thirteen copies of an Extension of Water Purchase Agreement ("Special Contract") between Tennessee American Water Company ("Company") and the Town of Signal Mountain, Tennessee ("Town"), for approval of the Directors of the TRA pursuant to Rules 1220-4-1-07 Special Contracts and 1220-4-1-08 Resale of Water of the Rules of the Authority.

As you will notice, this is an Extension Agreement of the two prior Agreements that were dated July 1, 1997 and June 15, 2000 approved by the Regulatory Authority at a regular conference on July 29, 1997 and December 5, 2000. Order dated August 18, 1997, Docket No. 97-01305 and Order dated June 21, 2001, Docket No. 00-00745. The terms and conditions are basically the same as the prior contract and a copy of the original Agreement is attached to this Extension Agreement. Also attached hereto is a copy of the Action by Unanimous Consent of the Board of Directors approving the transaction and a letter from David B. Schultz stating that the Mayor of the Town of Signal Mountain has signed the Extension Agreement.

The approval of the Extension Agreement would allow the Company to continue furnishing water to the city of Signal Mountain for resale to its customers at the non-discriminatory tariff price rate of \$1.02 per 1000 gallons and under the same conditions as it has in the past and it would benefit the town of Signal Mountain and its residents by providing a

EXTENSION OF WATER PURCHASE AGREEMENT

THIS EXTENSION OF WATER PURCHASE AGEEMENT, made effective as of July 1, 2003, by and between Tennessee-American Water Company (Tennessee-American"), located at 1101 Broad Street, Chattanooga, Tennessee, and Town of Signal Mountain ("Signal Mountain"), whose address is 1101 Ridgeway Avenue, Signal Mountain, Tennessee.


WHEREAS, the parties hereto have agreed to extend the term of their Water Purchase Agreement dated July 1, 1997 ("Original Agreement"), as amended and extended by agreement dated as being effective July 1, 2000 ("First Extension Agreement"), copies of both are attached hereto and incorporated herein by reference. for an additional term of three years as provided herein,

NOW, THEREFORE, in consideration of the mutual covenants and promises herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows.

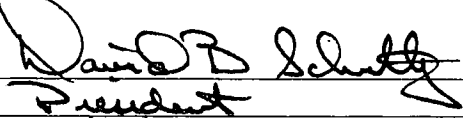
1. Except as specifically provided herein, all of the terms, conditions, privileges and obligations in the Original Agreement, as amended and extended by the First Extension Agreement, are hereby extended for a term of three (3) years (or thirty-six (36) monthly billing periods), beginning July 1, 2003 and ending July 1, 2006.
2. Effective August 7, 2003, and continuing through the end of the term hereof, Section 1 of the Original Agreement, as amended and extended by the First Extension Agreement, is hereby amended to state that Signal Mountain will purchase water at the rate of \$1.02 per 1,000 gallons.
3. This Extension of Water Purchase Agreement is subject to the approval by the Board of the Tennessee-American Water Company and the Tennessee Regulatory Authority ("TRA") Signal Mountain agrees to take such action reasonably necessary to support Tennessee-American's application for approval from the TRA.

IN WITNESS WHEREOF, the parties have set forth their hands

TOWN OF SIGNAL MOUNTAIN

By: 
 Title: (110102)
 Date: 1-29-04

TENNESSEE-AMERICAN
 WATER COMPANY

By: 
 Title: President
 Date: 2/20/04

**UNANIMOUS CONSENT OF THE DIRECTORS
OF TENNESSEE-AMERICAN WATER COMPANY**

The undersigned, constituting all of the members of the Board of Directors of Tennessee-American Water Company (hereinafter "Company"), do hereby take the following corporate action by this unanimous written consent, which action shall have the same validity and effect as if taken at a meeting of the Board of Directors, duly called and held, at which all members of the Board attended and voted therefore:

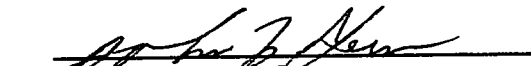
RESOLVED, the Board of Directors of Tennessee-American Water Company hereby approves a Second Extension of the Water Purchase Agreement with Town of Signal Mountain for another three-year term from July 1, 2003 and ending July 1, 2006. Effective August 7, 2003, and continuing through the end of the term of this Extension, the purchase water rate will be \$1.02 per 1,000 gallons.


FURTHER, RESOLVED, this Extension of Water Purchase Agreement is subject to the approval of the Tennessee Regulatory Authority (TRA) and Signal Mountain agrees to take such action reasonably necessary to support Tennessee-American's application for approval from the TRA.

This action without a meeting of the Board of Directors is taken pursuant to the authority of Title 48, Chapter 18, Section 202, of the Tennessee Code Annotated, and shall be effective as of December 30, 2003.


All signatures need not appear on the same counterpart of this consent, and all counterparts of this consent shall constitute one and the same instrument.

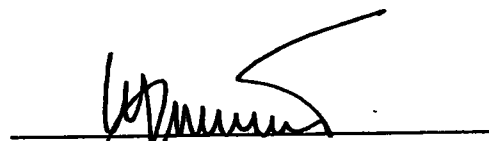

Michael Carmedy


John F. Germ


Chris E. Jarrett


Daniel L. Kelleher


David B. Schultz


William P. Sudderth

David B. Schultz
President

March 10, 2004

Mr T G Pappas, Esq
Bass, Berry & Sims
2700 First American Center
Nashville, TN 37238

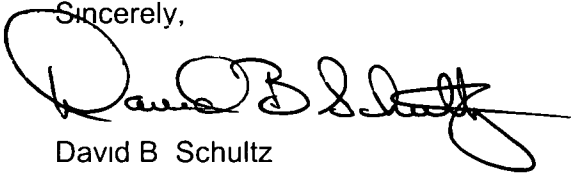
Re: Town of Signal Mountain Water Purchase Agreement Extension

Enclosed please find an original of the Extension of Water Purchase Agreement between Tennessee-American Water Company and the Town of Signal Mountain, Tennessee. This agreement extends for another three years the original agreement dated July 1, 1997, which was amended and extended by the agreement dated July 1, 2000. The agreement has been signed by me and the Mayor of the Town of Signal Mountain, James H. Althaus.

Also enclosed is the Unanimous Consent of Directors of Tennessee-American Water Company approving the agreement effective December 30, 2003.

If all documents appear to be in order, please file with the Tennessee Regulatory Authority at your earliest convenience. If you have any questions, please feel free to call me, Herb Miller or Dan Bailey (423/755-7618).

Sincerely,



David B. Schultz
President

DBS/s

Enclosures Water Purchase Agreement with Town of Signal Mountain
Unanimous Consent of Directors

c Herbert A. Miller, Jr.
Roy Ferrell
Daniel R. Bailey

American Water
1101 Broad Street
Post Office Box 6338
Chattanooga, TN 37401
USA
T +1 423 755 9307
F +1 423 755 7634
I www.tawc.com

RECEIVED
3-12-04

David B. Schultz
President

March 10, 2004

Mr T G Pappas, Esq
Bass, Berry & Sims
2700 First American Center
Nashville, TN 37238

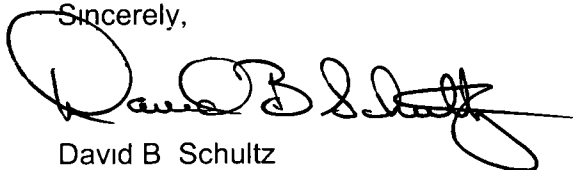
Re: Town of Signal Mountain Water Purchase Agreement Extension

Enclosed please find an original of the Extension of Water Purchase Agreement between Tennessee-American Water Company and the Town of Signal Mountain, Tennessee. This agreement extends for another three years the original agreement dated July 1, 1997, which was amended and extended by the agreement dated July 1, 2000. The agreement has been signed by me and the Mayor of the Town of Signal Mountain, James H Althaus.

Also enclosed is the Unanimous Consent of Directors of Tennessee-American Water Company approving the agreement effective December 30, 2003

If all documents appear to be in order, please file with the Tennessee Regulatory Authority at your earliest convenience. If you have any questions, please feel free to call me, Herb Miller or Dan Bailey (423/755-7618)

Sincerely,



David B Schultz
President

DBS/s

Enclosures Water Purchase Agreement with Town of Signal Mountain
 Unanimous Consent of Directors

c Herbert A. Miller, Jr
Roy Ferrell
Daniel R Bailey

American Water
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Post Office Box 6338
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USA
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F +1 423 755 7634
I www.tawc.com

RECEIVED
3-12-04

EXTENSION OF WATER
PURCHASE AGREEMENT

THIS EXTENSION OF WATER PURCHASE AGREEMENT, made effective as of
July 1, 2000, by and between:

Tennessee-American Water Company ("Tennessee-
American"), located at 1101
Broad Street, Post Office Box 6338, Chattanooga, Tennessee

And

Town of Signal Mountain ("Signal Mountain"), located at
1101 Ridgeway Avenue, Signal Mountain, Tennessee

WHEREAS, Signal Mountain and Tennessee-American have mutually agreed to
extend the term of their Water Purchase Agreement dated July 1, 1997 ("Original
Agreement") for an additional period of time under the same terms and conditions,
except as herein specified.

NOW THEREFORE, in consideration of the mutual covenants and promises
herein and other good and valuable consideration, the receipt and sufficiency of which
is hereby acknowledged, the parties hereto agree as follows:

1. All of the terms, conditions, privileges and obligations in the Original
Agreement, except as specifically otherwise stated herein, are hereby
extended for a term of three (3) years (or thirty-six [36] monthly billing
periods) beginning September 1, 2000.
2. A copy of the Original Agreement is attached hereto and incorporated
herein by reference.
3. Section X (2) of the Original Agreement is amended to provide that any
notice to Tennessee-American be sent to the attention of the President
of Tennessee-American.

EXTENSION OF WATER
PURCHASE AGREEMENT

THIS EXTENSION OF WATER PURCHASE AGREEMENT, made effective as of
July 1, 2000, by and between:

Tennessee-American Water Company ("Tennessee-
American"), located at 1101
Broad Street, Post Office Box 6338, Chattanooga, Tennessee

And

Town of Signal Mountain ("Signal Mountain"), located at
1101 Ridgeway Avenue, Signal Mountain, Tennessee

WHEREAS, Signal Mountain and Tennessee-American have mutually agreed to
extend the term of their Water Purchase Agreement dated July 1, 1997 ("Original
Agreement") for an additional period of time under the same terms and conditions,
except as herein specified.

NOW THEREFORE, in consideration of the mutual covenants and promises
herein and other good and valuable consideration, the receipt and sufficiency of which
is hereby acknowledged, the parties hereto agree as follows:

1. All of the terms, conditions, privileges and obligations in the Original Agreement, except as specifically otherwise stated herein, are hereby extended for a term of three (3) years (or thirty-six [36] monthly billing periods) beginning September 1, 2000.
2. A copy of the Original Agreement is attached hereto and incorporated herein by reference.
3. Section X (2) of the Original Agreement is amended to provide that any notice to Tennessee-American be sent to the attention of the President of Tennessee-American.

4. This Extension of Water Purchase Agreement is subject to the approval by the Board of Directors of Tennessee-American and by the Tennessee Regulatory Authority ("TRA"). Signal Mountain agrees to take such action reasonably necessary to support Tennessee-American's application for approval from the TRA.

IN WITNESS WHEREOF, the parties have set forth their hands.

TOWN OF SIGNAL MOUNTAIN

By: 

Title: MAYOR

Date: 6/15/00

TENNESSEE-AMERICAN WATER CO.

By: 

Title: PRESIDENT

Date: August 19, 2000

WATER PURCHASE AGREEMENT

THIS AGREEMENT, made this 1st day of July, 1997 by and between

Tennessee-American Water Company ("Tennessee-American"), located at 1101 Broad Street, Post Office Box 6338, Chattanooga, Tennessee

and

Town of Signal Mountain ("Signal Mountain"), located at 1100 Ridgeway Avenue, Signal Mountain, Tennessee

WHEREAS, Tennessee-American, a Tennessee corporation, is a public utility which owns and operates a water utility system in and around the City of Chattanooga, Tennessee including the contiguous Tennessee cities of Red Bank, East Ridge, Ridgeside, and Lookout Mountain, plus the cities of Rossville and Lookout Mountain, Georgia and areas in the Georgia counties of Dade, Walker and Catoosa, and

WHEREAS, Signal Mountain wishes to purchase all or substantially all of its water supply from Tennessee-American, and

WHEREAS, Tennessee-American currently supplies water to Signal Mountain and has the capability and facilities in place to provide all or substantially all of the water supply currently required by Signal Mountain, and

WHEREAS, Signal Mountain and Tennessee-American are desirous of establishing an Agreement for the purchase of water for a fixed period of time, and,

WHEREAS, the parties have reached an Agreement for the sale and purchase of water which they now desire to record in writing,

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other

good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows

SECTION I **SALE OF WATER**

Signal Mountain agrees to purchase a minimum of 273,750,000 gallons per year at \$ 95 per 1,000 gallons

On or before the tenth day after the end of each twelve months of this Agreement, Tennessee-American will review the usage of Signal Mountain during the prior twelve month period year. If Signal Mountain's usage during the prior twelve month period was 273,750,000 gallons or more, no additional charge will be made. Should Signal Mountain's usage be less than 273,750,000 gallons, that month's invoice will include a charge for the difference between the actual usage and 273,750,000 gallons priced at \$ 95 per 1,000 gallons.

SECTION II **FLUORIDATION OF WATER SUPPLY**

The Company will fluoridate the water supplied to the Town of Signal Mountain, in accordance with the Tennessee Department of Environment and Conservation Rule 1200-5-1- 17 (20), which requires the maintenance of a monthly average concentration of fluoride between 0.9 mg/l and 1.3 mg/l, unless required to do otherwise by applicable state law or regulations.

SECTION III **OPERATIONAL REQUIREMENTS**

In order to minimize utilization of the peaking capacity of Tennessee-American, Signal Mountain will provide adequate storage to provide for its own maximum hour needs. Signal Mountain shall maintain a minimum of one day of water supply storage on their distribution system.

Tennessee-American will supply up to 2,500 gallons per minute to the existing metering location as described in Section IV hereof, at a pressure sufficient to fill the existing Signal Mountain Receiving tanks at the base of Signal Mountain. If Signal Mountain requests flow rates in excess of 2,500 g p m. at any time during the term of this Agreement, it will be required either to pay for the additional system improvements that are needed to meet such additional flow or to contract for water at a higher rate per 1,000 gallons of water to be determined by the Company.

SECTION IV METERING

Metering of the water sold under this Agreement shall be at the existing meter setting located at the Town of Signal Mountain's existing storage tanks at the base of Signal Mountain, just off of Signal Mountain Road and Suck Creek Road.

SECTION V BILLING

On or before the tenth day of each month, Tennessee-American will issue an invoice to Signal Mountain for Signal Mountain's metered usage during the prior month. Payment of such invoice will be made by Signal Mountain on or before eighteen days after receipt of the invoice.

SECTION VI APPROVALS BY TENNESSEE REGULATORY AUTHORITY

It is understood and agreed that this Agreement is conditioned on approval by the Tennessee Regulatory Authority ("TRA"). Promptly upon execution of this Agreement, Tennessee-American shall file an application for approval with the TRA and take such action in good faith as may be necessary to obtain the appropriate approval.

SECTION VII
TERM OF AGREEMENT

The term of this Agreement shall be for a period of three (3) years or thirty-six (36) monthly billing periods. The three (3) year period shall commence with the effective date of the purchase of water under this Agreement. The effective date of the commencement of sales under the terms of this Agreement shall be the beginning of the next regular monthly billing period following approval of this Agreement by the TRA.

SECTION VIII
FORCE MAJEURE

Neither Signal Mountain or Tennessee-American shall be liable for damages to the other for any act, omission, or circumstance occasioned by or in consequence of any strikes, lockouts, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, civil disturbances, explosions, breakage, or accident to machinery or lines of pipe, and any other cause, whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome. Failure to prevent or settle any strike or strikes shall not be considered to be a matter within the control of the party claiming suspension. Such causes or contingencies affecting such performance shall not relieve Signal Mountain from its obligations to make payment of amounts due hereunder. During the period of force majeure, the minimum annual charge shall be reduced by a ratio equal to the number of days of interruption divided by 365 days. If, during the period of force majeure some water can be delivered, then the ratio shall be multiplied by the percentage reduction in usage.

SECTION IX
RENEWAL OF AGREEMENT

This Agreement may be renegotiated for additional periods of time beyond the term of this Agreement. Negotiations to extend the term of this Agreement shall commence no later than six (6) months prior to the expiration date of this Agreement. However, the rates to be charged during any renewal period shall also be subject to prior approval by TRA.

SECTION X
MISCELLANEOUS PROVISIONS

(1) **Assignment**

Upon obtaining written approval from Tennessee-American which will not be unreasonably withheld, this Agreement may be assigned by Signal Mountain to any successor in the operation of the facilities currently owned by Signal Mountain.

(2) **Notices**

Any notice required or permitted to be given by one of the parties to this Agreement shall be given by U S mail, personal delivery or by overnight carrier to the other party at the address set forth below:

Town of Signal Mountain
1100 Ridgeway Avenue
Signal Mountain, TN 37377
Attn: Town Manager

Tennessee-American Water Company
1101 Broad Street
P O Box 6338
Chattanooga, Tennessee 37401
Attn: Vice-President and Manager

Any notice so given shall be deemed given upon its deposit in the U S mail, upon personal delivery or upon its delivery to the overnight carrier

(3) **Governing Law**

This Agreement shall be governed by the laws of the State of Tennessee

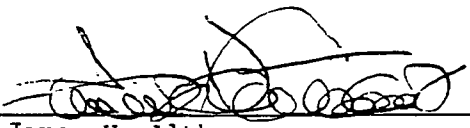
(4) **Enforceability**

In the event that any provision hereof is found to be invalid or unenforceable, such invalidity or unenforceability shall not impair or limit the validity or enforceability of any other provision hereof, each of which shall continue in full force and effect, and this Agreement shall be construed as if such invalid or unenforceable provisions were omitted from this Agreement.

(5) **Entire Agreement**

This Agreement constitutes the entire Agreement between Signal Mountain and Tennessee-American with respect to the subject matter contained in the Agreement, except that Signal Mountain is subject to the rules, regulations and other applicable conditions and provisions set forth in Tennessee-American's tariff on file with the TRA and as from time to time amended. This Agreement shall not be amended without the prior written consent of both parties. No modification of this Agreement or waiver of any of its terms and conditions will be effective unless set forth in a written document signed by both parties

TOWN OF SIGNAL MOUNTAIN

By 
James H. Althaus

Its Mayor

TENNESSEE-AMERICAN WATER COMPANY

By 
Richard T. Sullivan

Its Vice-President and Manager